

Shikher Jain
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Issue Details

Issue Details	
Issue Size (Value in ` million, Upper Band)	5,405.40
Fresh Issue (No. of Shares in Lakhs)	14.1
Offer for Sale (No. of Shares in Lakhs)	173.6
Bid/Issue opens on	15-Dec-20
Bid/Issue closes on	17-Dec-20
Face Value	Rs. 10
Price Band	286-288
Minimum Lot	50

Objects of the Issue

The Fresh Issue: ₹405 Million

The company proposes to utilize the Net Proceeds towards funding the following:

- Repayment Financing the project cost towards the expansion of the Rajpura manufacturing facility by establishing a new production line for biscuits.
- General corporate purposes.

Offer for Sale: ₹5000 Million

The company will not receive any proceeds from the Offer for Sale.

Book Running Lead Managers	
SBI Capital Market	
ICICI Securities	
IIFL Securities	
Registrar to the Offer	
Link Intime India Private Limited	

Capital Structure (₹ Million)	Aggregate Value
Authorized share Capital	650.00
Subscribed paid up Capital (Pre-Offer)	573.37
Paid up capital (Post - Offer)	587.46

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	52.4%	51.1%
Public	47.6%	48.9%
Total	100%	100%

Financials

Particulars (Rs. In Million)	6M-FY21	6M-FY20	FY20	FY19	FY18
Revenue from operations	4309.9	3646.2	7621.2	7836.7	6939.7
Operating expenses	3588.6	3256.4	6693.1	6875.8	6084.8
EBITDA	721.4	389.7	928.2	960.8	854.9
Other Income	76.5	16.7	28.9	24.3	18.1
EBIDT	797.8	406.4	957.1	985.1	872.9
Interest	54.8	78.6	150.4	126.8	61.1
Depreciation	221.6	207.0	414.9	351.8	283.5
PBT	521.4	120.9	391.8	506.6	528.4
Tax	132.6	19.2	87.8	175.1	169.5
PAT	388.8	101.7	304.0	331.5	358.9
EBITDAM	16.7%	10.7%	12.2%	12.3%	12.3%
PAT Margin	9.0%	2.8%	4.0%	4.2%	5.2%
Sales growth	18.2%		-2.7%	12.9%	

Company Description

Mrs. Bectors Food Specialities Limited (Mrs. Bectors Food") formally known as 'Quaker Cremica Foods Private Limited' was incorporated on September 15, 1995. The company is one of the leading companies in the premium and mid-premium biscuits segment and the premium bakery segment in North India. The company manufactures and market a range of its biscuits such as cookies, creams, crackers, digestives and glucose under its flagship brand 'Mrs. Bector's Cremica'. They also manufacture and market bakery products in savoury and sweet categories which include breads, buns, pizza bases and cakes under its brand 'English Oven'.

'Mrs. Bector's Cremica' is one of the leading biscuit brands in the premium and mid-premium segment in Punjab, Himachal Pradesh, Jammu and Kashmir and Ladakh and 'English Oven' is the one of the largest selling brand in the premium bakery segment in Delhi NCR, Mumbai and Bengaluru.

Company has six in-house manufacturing facilities located in Phillaur and Rajpura, Tahliwal, Greater Noida, Khopoli and Bengaluru, which enables them to have an effective control over the manufacturing process and to ensure consistent quality of their products.

They also have a strong distribution network in India and globally in the general trade and the modern trade segment. During the period between April 1, 2020 to September 30, 2020, they distributed their biscuits across 23 states in India, through their widespread network of 196 super-stockists and 748 distributors supplying to wide range of customers through 458,000 retail outlets and 4,422 preferred outlets. They are also one of the largest suppliers of biscuits to "CSD" supplying in 33 locations across India and an approved and listed supplier for Indian Railways having strong presence across Railway Station Canteens and their stores in North India.

Among other strategic growth initiatives, the company remains focused on managing costs with spreading corporate-level fixed costs, across a larger restaurant network to drive margins. Also, it looks to lower transportation costs, optimize spending on ingredients and reduce exposure to price fluctuations. Additionally, the company remains committed to continue with technology investments and enhance brand awareness and loyalty, targeting the large and growing millennial population in India.

Revenues from operations of the company have increased from ₹6,939 million in FY18 to ₹7,621 million in FY20. On the bottom line front, Company reported a profit of ₹304 million in FY20.

Valuation

At the upper end of the IPO price band, it is offered at 28.1x its TTM earnings, demanding `16,918 million market cap, which we believe is quite reasonable. Further, its listed peers like DFM Foods and ADF Foods are currently trading at 50.5x and 24.9x respectively of its TTM earnings. We further believe that there is a good possibility of listing gains given lower valuations as compared to other listed peers. Further considering attractive valuation and strong future growth prospects in packaged biscuits we recommend a "Subscribe" rating to this IPO for the long term.

Business Highlights:

- **One of the leading brands in biscuits and bakery businesses in North India with an ability to establish brands:** Mrs. Bectors Food is one of the leading companies in the premium and mid-premium biscuits segment with a market share of 4.5% in North India and sell its products under their flagship brand 'Mrs. Bector's Cremica'. Company also developed the brand 'English Oven' for their bakery products business and they are manufacturing and selling their bakery products under the 'English Oven' brand in the year 2013, in Mumbai through their subsidiary Mrs. Bectors English Oven Limited. They developed and marketed various kinds of bakery products in savoury and sweet categories under the 'English Oven' brand and is currently one of the fastest growing large scale bakery brands in India and is one of the largest selling brands in the premium bakery segment in Delhi NCR, Mumbai and Bengaluru. As on September 30, 2020, the diversified product portfolio of our bakery products consists of 118 SKUs.
- **A leading exporter of biscuits:** Mrs. Bectors Food is one of the leading exporter of biscuits from India, with approximately 12% share of the Indian biscuit export market in calendar year 2019 and they contribute more than 50% by value of biscuit exports from India to countries like South Africa and Uganda and more than 25% by value of biscuit exports from India to Canada. Company export various types of cookies such as danish cookies, choco chip cookies and centre filled cookies, creams, crackers and some glucose biscuits under their flagship brand 'Mrs. Bector's Cremica'. They also manufacture a wide range of biscuits for international retail chains under their private labels. **Revenue from the export of biscuits accounted for ₹ 1,676.51 million, ₹ 1056.23 million and ₹ 760.85 million constituting 22%, 24.51% and 20.87% of the revenue from operations for the Financial Year 2020, the period April 1, 2020 to September 30, 2020, and the period April 1, 2019 to September 30, 2019, respectively, which has grown by 38.82% from September 30, 2019 to September 30, 2020.**
- **Established presence in retail and institutional bakery business:** 'English Oven' is one of the fastest growing largescale premium bakery brand in India, who market and sell their premium bakery products in savoury and sweet categories such as breads, buns, pizza bases, and cakes to their retail customers under our brand 'English Oven' which is one of the largest selling brands in the premium bakery segment in Delhi NCR, Mumbai and Bengaluru supplying approximately on an average of 178,564, 218,674 and 168,022 packs of branded breads and bakery products per day for the Financial Year ended March 31, 2020, the period April 1, 2020 to September 30, 2020, and the period April 1, 2019 to September 30, 2019 respectively. Mrs. Bectors Food is one of the few bakery companies in India that can handle fresh, chilled and frozen products and this model enables them to distribute their bakery products across India. The company is also the largest supplier of buns to reputed QSR chains. They are the sole supplier of burger buns and pan muffins to Connaught Plaza Restaurants Pvt. Ltd. since 1995, preferred supplier of burger buns and pan muffins to Hardcastle Restaurants Pvt. Ltd. for approximately 13 years. They have also been one of the main supplier of burger buns to Burger King India Ltd since 2014, and to Yum! Restaurants (India) Pvt. Ltd. since 2013. They have been a preferred and leading supplier of products such as frozen burger buns, panini, garlic breads to PVR Ltd since the last 10 years.
- **Wide spread and established sales and distribution network:** The Company distributes its biscuits across 23 states in India, through its widespread network of super stockists and distributors. For the period between April 1 2020 to September 30 2020, they have a distribution network comprising of 154 super stockists and 644 distributors supplying to wide range of customers through 458,000 retail outlets. The company use its in-house developed automation tool 'Peri' to increase productivity of the super stockists and distributors by enabling them with access to critical information of sales and products and strategic information about sales trends, on a real-time basis. Additionally, most of their products are sold through modern trade channels including Walmart India Pvt. Ltd. The company also directly supply biscuits to institutional clients like CSDs, Indian Railway Canteens and stores in North India.
- **Experienced management team:** The experience and leadership of the company Promoter, Anoop Bector, is a key factor in its growth and development. Anoop Bector has extensive experience of over 25 years and industry knowledge and understanding. His experience has helped the company develop relationships with its vendors for the procurement of raw materials, institutional customers and their dealers and distributors. He also provides strategic guidance to the company, while also being involved in their day to day functioning of the business. Ishaan Bector, the whole time director, heads its breads business and is responsible for overall supervision, development and expansion of their breads business and has been instrumental in its growth. The breads business has grown at a CAGR of 29.07% in the last 3 Financial Years under the leadership of Ishaan Bector.

Key Strategies:

- **Focusing on growth in premium biscuits and bakery segment to improve margin:** The Company will continue to expand their product portfolio within the existing product segments, focus on increasing sales realization and volumes, and strive to provide differentiated offerings to their consumers. To cater to the growing needs of their millennial customers, the Company intend to expand their product offerings to include niche biscuit and bakery products such as a more nutritious range of biscuits including digestive biscuits, honey oatmeal biscuits, premium rich cookies, premium flaky crackers, and soda crackers, which will help them realize higher margins. **The Company also installed dedicated lines at our Rajpura (Punjab) Facility in 2018 to cater to production of high margin premium products.** Further, management is also planning to sell its biscuits in the export market by targeting developed and emerging markets which will further help them to increase its margins.
- **Focus on product development in biscuits and bakery segments:** The Company has an experienced in-house research and development team that works on its new product development processes through innovations, trials, regulatory approvals and driving market acceptance and cost alignments along with its marketing and supply chain management teams. They are also seeking to increase the capacities of their manufacturing facilities by installing new, automated and product specific equipment such as installation of a cookies manufacturing line sourced from Denmark. They are also looking to expand their premium biscuits production in our Rajpura (Punjab) Manufacturing Facility by procuring automated equipment from Italy. Further, they have also commissioned a sheeting line capable of producing 'Focaccia Breads', 'Panini Breads', 'Ciabatta Breads', at our Greater Noida Manufacturing Facility..
- **Expansion of the distribution network through diversification:** They have a strong distribution network in North India, and their prime focus is to establish a pan India presence for their biscuits and bakery segments by diversifying their distribution network in other regions of India. Company monitors their distribution network through their in-house developed automation tool 'Peri', which enables us to track real-time coverage, sales, efficiencies and commercial hygiene by introducing 'KYC' procedure for all their outlets that helps us to maintain detailed database and track future expansion. Further, they also increased their distribution through the modern trade channels such as Walmart India Private Limited. Moreover, management is planning to increase sale of their biscuits and bakery products in the modern trade channels by introducing various offers, increasing visibility of our products, introducing larger and mid-sized packs of our existing high selling products based on buying patterns and regional preferences. Further, they are also collaborating with various e-commerce platforms for sale of their products through multiplex chains such as PVR

Limited and cloud kitchens such as Rebel Foods Private Limited to sell their products on a pan India level. We believe that by all these initiatives it will help the Company to grow their overall sales and market share.

- **Focus on increasing the brand awareness:** Management continuously allocate significant resources to strengthen 'Mrs. Bector's Cremica' and 'English Oven' as one of India's leading biscuit and bakery brands. Their marketing plan comprises advertising in print media, digital, television, radio and outdoor promotional campaigns, and sponsorship of prominent sporting and cultural events in India. They also participate in international trade fairs that provide them an opportunity to display their wide range of product portfolio and enhance our brand strength.

Key Risks:

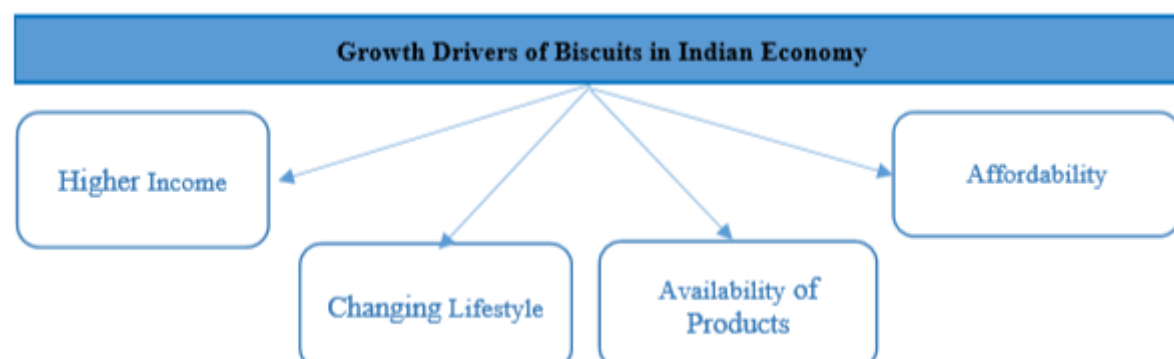
- The Indian premium and mid-premium biscuits and premium bakery products market is highly competitive and fragmented with numerous international and local companies competing for the market share.
- The Indian premium bakery market is highly fragmented, which the unbranded players contributing to about 45% of value share in the overall Indian bakery market which makes the large players face tough competition from regional companies on pricing and distribution front.

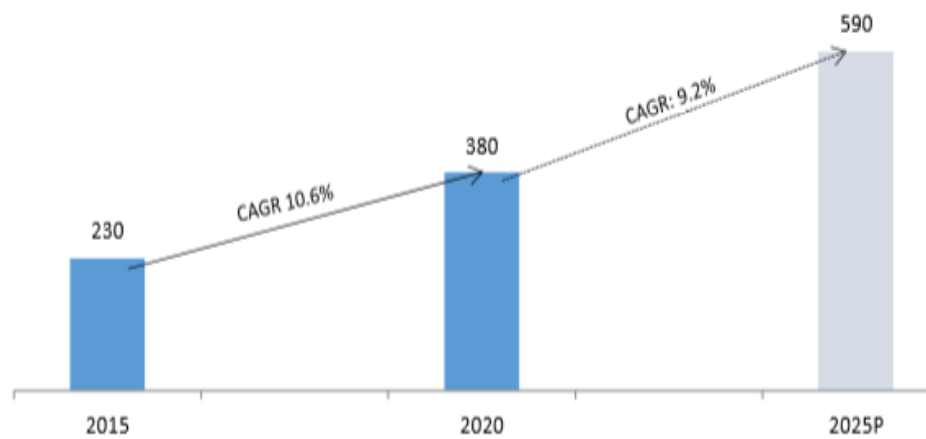
Industry Snapshot:

The Indian biscuits and bakery retail market is valued at ₹ 450.00 billion and is expected to grow at a CAGR of ~9% over the next five years.

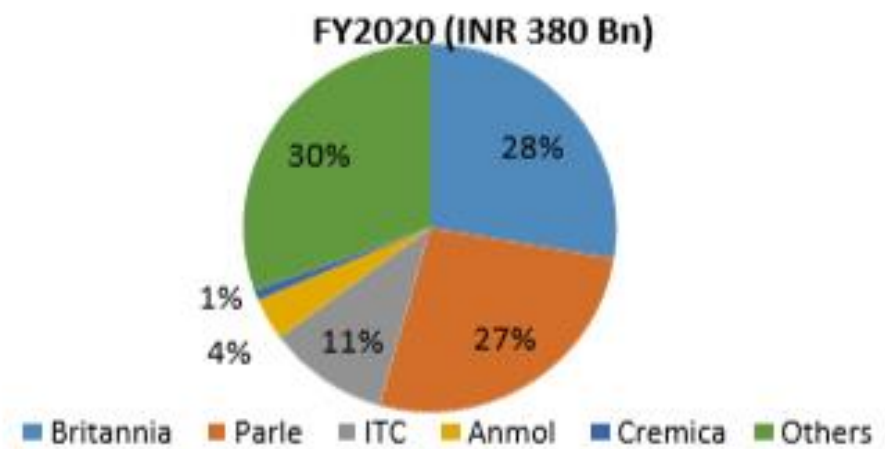
Product Segment	Particulars	1HFY21	1HFY20	FY20	FY19	FY18
Biscuit	Gross Margin	45.80%	45.04%	44.35%	43.63%	42.11%
	EBIDTA	15.70%	6.87%	8.80%	10.38%	10.29%
Bakery Products	Gross Margin	49.89%	49.89%	50.12%	50.78%	50.77%
	EBIDTA	17.12%	17.12%	17.65%	15.43%	16.73%

Biscuits: Global market biscuit market is estimated to be worth ₹ 7,839.00 billion in 2020 projected to grow at a CAGR of 6% over next five years. It is driven by rising urbanization, increasing disposable incomes and demand for convenience foods. Consumers prefer to consume biscuits with tea or coffee. While the Indian biscuit market size is estimated to be ₹ 400.00 billion in 2020 representing ~5% of the global market. Indian market is expected to grow at a CAGR of 9% till 2025 and reach ₹ 620.00 billion. This growth will increase India's share in the global market to ~6% by 2025.



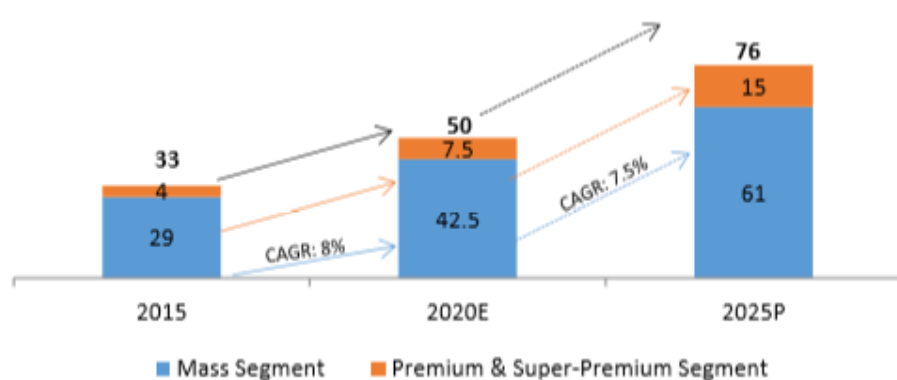


Market Size of Branded Biscuit Market (in Bn.)

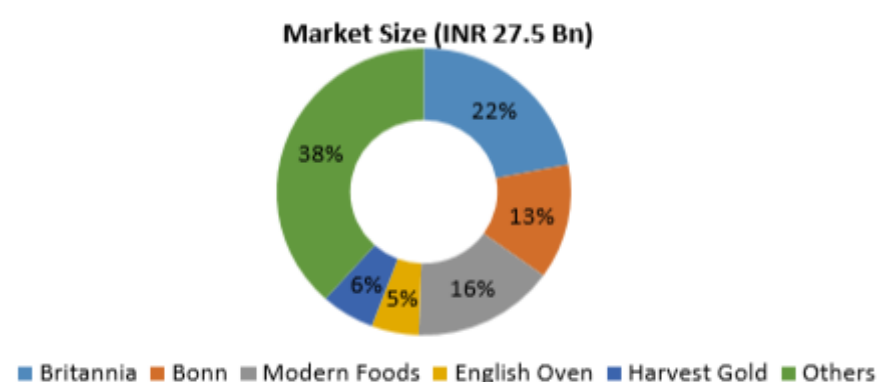


Market size of brands in branded Biscuit market

Breads: The bread and buns retail market in India is valued at ₹ 50.00 billion in Financial Year 2020 and it will continue to grow at the CAGR of 9% to reach ₹ 76.00 billion by Financial Year 2025. The growth will be mainly assisted by increase in disposable incomes, change in lifestyle and preferences of the consumers. The demand for breads is concentrated mainly around metros, tier I and larger tier II cities due to higher disposable incomes and changing meal preferences.



Breads & Buns retail market size (in Bn.)



Branded market in FY20

Key Growth Drivers:

- **Growth in organized retail:** Increase of modern supermarket chains across India has greatly helped in leveraging innovation in the bakery products such as biscuits, breads, tea cakes and buns.

- **Increasing preference for branded and packed cakes:** Consumers are moving from unbranded tea cakes from local bakeries to branded alternatives due to better quality perception and assurance of food safety. Furthermore, the branded tea cakes are available in a wide variety of variants/flavours. Their shelf stability, packaging and portion size facilitate a wider distribution reach, from rural retail outlets to urban supermarkets. Additionally, they are more affordable and enable the consumers to eat the product in one go.
- **Improved packaging solutions:** Packaging of bakery products plays a significant role in increasing shelf life, preventing mechanical damage, nutrition value, displaying food safety related warnings and marketing. The industry has been experimenting with packaging solutions of their products.
- **Bakery Products in QSRs and Cafés:** Besides bakeries and retail outlets, most food service formats like QSRs, café, restaurants and hotels such as McDonald's, Subway, and Starbucks have cakes, cookies, puddings or pies as their dessert menu. The volume supply of these institutional customers is met by manufacturers of scale. While the products could be fresh or frozen, the frozen bakery product market is expected to grow because of this customer segment.

Valuation:

At the upper end of the IPO price band, it is offered at 28.1x its TTM earnings, demanding `16,918 million market cap, which we believe is quite reasonable. Further, its listed peers like DFM Foods and ADF Foods are currently trading at 50.5x and 24.9x respectively of its TTM earnings. We further believe that there is a good possibility of listing gains given lower valuations as compared to other listed peers. Further considering attractive valuation and strong future growth prospects in packaged biscuits we recommend a "Subscribe" rating to this IPO for the long term.

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